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SIPDIS

STATE FOR EAP/CM AND EEB/OMA, TREASURY FOR OASIA

E.O. 12958: N/A

TAGS: ECON EFIN EINV ETRD HK CH

SUBJECT: Hang Seng Rockets Up 13 percent.

¶1. Following a moderate gain of 0.84 percent on Wednesday, the Hang Seng Index jumped almost 13 percent on Thursday, to finish up 1628 points at 14,329, up 12.82 percent. The Federal Reserves 50 basis point cut helped, but had been widely expected. The Chinese Central Bank announcement that it would also cut its benchmark rates by 27 basis points undoubtedly helped Chinese stocks, but remarks by Chinese Premier Wen Jiabao suggesting China would make "all out efforts" to support Hong Kong's economy were the real market driver.

¶2. Wen promised to work with Hong Kong financial regulators on contingency plans to handle risks; fast-track infrastructure projects, including the HK-Macau-Zhuhai bridge project; guarantee stable food supplies to Hong Kong; provide support for Hong Kong-based SME's with operations in China; and extend the individual traveler scheme to additional Chinese cities so Chinese tourists will find it easier to come to Hong Kong.

¶3. Interbank liquidity loosened considerably for all tenures. HIBOR on Thursday, October 30 was 0.7 for over night, up slightly from down from 0.5 percent on Wednesday; 1. percent for one week, unchanged; 2 percent for two weeks, unchanged from Wednesday; 2.45 percent for one month, down from 3.05 percent; 3 percent for two months, down from 3.3 percent; 3.4 percent for three and six month borrowing, down from 3.6 percent; 12 month loans dropped to 3.45 percent, also from 3.6 percent on Wednesday.